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ASSOCIATION OF ONTARIO MAYORS AND REEVES

OFFICE OF THE EXECUTIVE SECRETARY AND TREASURER - 10 - 31st ST. LONG BRANCH, TORONTO 14, ONT.

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SUBMISSION

BY

THE ASSOCIATION OF ONTARIO MAYORS AND REEVES

TO

THE ONTARIO COMMITTEE ON TAXATION

OCTOBER: 1963

SUBMISSION

By the Association of Ontario Mayors and Reeves to The Ontario Committee on Taxation.

1. INTRODUCTION

This Association welcomes the appointment of your Committee to inquire into and report upon the taxation and revenue system of the Province of Ontario and its municipalities and school boards with a view to determining whether such tax and revenue system is as simple, clear, equitable, efficient, adequate and as conducive to the sound growth of the Province as can be devised. The opportunity to present submissions to your committee to assist it in reaching conclusions on these matters is also welcomed.

The objects of this Association include consideration of any matter affecting municipalities in Ontario with the definite purpose of achieving good municipal government and improving the general welfare of the citizens. Its members are the municipal corporations. 363 municipalities in Ontario are members including 31 Cities, 54 Villages, 123 Towns, 143 Townships, 1 Metropolitan Government and 11 Counties. These represent 5 million of the 6 million population in Ontario. Our Association speaks on behalf of 83% of the population and therefore, respectfully presents to your Committee "The Case for the Municipalities of Ontario".

2. STATEMENT OF THE MUNICIPALITIES CASE

The municipalities contend that the present tax and revenue system is not equitable, efficient, adequate nor conducive to the sound growth of the Province. The growth of public services with the object of improving the individual's standard of living has placed an increasingly heavy burden on governments to provide the financial means to support services which all have come to expect. This has caused substantial tax increases for everyone. The Federal and Provincial Governments are able to provide such financing by graduated and diversified taxes. Moreover the major sources of taxes for those governments are accelerated automatically as the volume of business increases. The municipal government by their limited field of taxation, are being compelled to impose ever increasing taxes against owners of real estate, which taxes are not based on ability to pay to the same extent as income or estate taxes. The owners or tenants of lands and buildings represent only a part of the population. Many persons receiving income, either from investments or from employment, contribute little or nothing to real estate or business taxes. A person with a small office may earn as much as a person who requires a large building, in which to carry on. The farmer must have a large area of land compared to the householder. Real estate taxes therefore, are based on the value of the land occupied, and not on the ability of the occupants to afford the taxes imposed.

During the past twenty years, this Association has studied the problem carefully and has submitted the results of such studies to the Province and to the Federal Government seeking correction of

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the inequitable situation at the municipal level. This has not been realized. While the Ontario and the Federal Governments have collected more taxes and made more funds available to municipalities by contributions to education, roadways, unconditional grants and payments in lieu of taxes on some of their properties, these have not been nearly sufficient to meet the increased costs of services demanded of municipalities and the financial position of municipalities continues to deteriorate.

Municipalities lost the right to collect personal income tax in 1936 and to collect corporation income taxes in 1944. When these were assumed by the senior levels of government it became an obligation to provide other revenue for the municipalities.

These two sources of revenue have grown substantially in the period of economic expansion since the Second World War because of the tremendous increase in the Gross National Product. It is questionable whether the municipalities receive their fair share of the increased revenue now derived from these sources by the Federal and Provincial governments.

3. THE VIEWS OF THE ONTARIO PROVINCIAL COMMITTEE OF 1951

As a result of several requests from this Association, the Prime Minister of Ontario, in June 1951, appointed the Ontario Provincial Municipal Committee, and representations were made to it. The Committee came to certain definite conclusions which bore out the submission of this Association for the adjustment of the Municipal position. Extracts from that Committee's report read as follows:

"In Ontario the co-ordination and integration of services performed by federal, provincial and local governments have not kept pace with the rapid growth and changing complexion of the economy, and it is therefore desirable to determine what re-adjustments are feasible to provide efficient public service with a minimum of expenditure."

"Analyses of existing taxation at all divisions of government show that the increase in Gross National Product has been accompanied by corresponding increases in provincial and federal tax revenues."

"So long as the taxing power of the municipalities is substantially limited to real property taxation, local municipal services can only be improved or new services added by a progressively increasing burden of taxation on real property or increased cost-sharing. This being the case, without such increased cost-sharing, it may mean a deterioration of municipal services to property because municipal tax revenue from property is diverted to expenditures on behalf of persons. Public demand requires that services such as education, welfare and health be given priority."

"The present emphasis placed on the right of every inhabitant to what is considered a minimum standard of living has meant that all governments have been faced with demands for new, more comprehensive and improved social services. Such social services should be financed by taxes based on ability to pay.

The property tax is not an appropriate means of financing increased social and welfare services. The burden of this programme is now imposed upon a limited group of taxpayers, the owners of real property. This suggests the necessity of reviewing municipal functions if municipal tax sources are to continue as at present."

It is the hope of the Association that recommendations of the Ontario Provincial-Municipal Committee of 1951 would be implemented by the Province and be the basis of the necessary reform in the municipal financial structure. Subsequently, two major concessions were granted by the Province to municipalities: (a) the enactment of "The Municipal Tax Assistance Act, 1952," which authorized payment to municipalities of the equivalent of the general municipal rate in respect of properties owned by the Province and its agencies: and (b) the enactment of "The Municipal Unconditional Grants Act, 1953", which provided for grants, without conditions, to local governments on a basis of population.

These were steps by the Province in the right direction but fell short of an overall adjustment of the municipal tax structure.

The Association still contends that municipalities should be substantially relieved of the costs of what the 1951 Ontario Provincial-Municipal Committee defined as being the non basic municipal services.

4. BASIC AND NON-BASIC SERVICES PROVIDED BY MUNICIPALITIES

An analysis of municipal expenditures indicates one great fault in municipal financing. That fault is the growing cost to municipalities of services which do not have a direct bearing on property and which do not benefit property, which services will be referred to herein as the basic services.

The cost of these services has created the burden on the owners of homes and other real property. This has made municipal financing inequitable and municipalities have no authority to raise revenue from other sources as is the case with Provincial and Federal Governments. The municipalities have been compelled to absorb the residual responsibilities not provided for by other governments.

The revenues available for basic municipal services and projects have been curtailed by the pressure of mandatory obligations imposed by the Province and by the budget of boards of education. The limited municipal resources have been squeezed to provide non-basic services. To remedy this situation your Committee is urged to reform the municipal taxation system as follows:

(a) To define specifically those basic municipal services which are primarily a service to property and which are provided by municipalities.

(b) To define specifically non-basic services now rendered at the municipal level having a wider than local scope and jurisdiction or of general benefit to the citizens

at large, which should be financed mainly by sources of revenue now available or to be made available at the Provincial and Federal levels.

It is submitted that the basic municipal services should be defined as:

Water distribution

Sewerage

Street cleaning and snow removal

Garbage collection and disposal

Street lighting

Local improvements

Municipal Planning

Police and Fire Protection

Parks and Recreation

Certain Public Health and Sanitation Services

Municipal Administration

Municipal Roadways, including Maintenance and Traffic Control facilities (subject to a fair share to municipalities of revenues derived from vehicles, such as Gasoline Taxes and License fees collected by the Province and Sales Tax and Custom Duties on motor vehicles and accessories, collected by the Federal Government.)

The non-basic services are as follows:

(a) Education

(b) Public Welfare Services

(c) Hospital Construction

(d) Housing Subsidies

(e) Administration of Justice

(f) Provincial Highways through Municipalities

(g) Emergency Services

(A) EDUCATION

Municipal councils are required to levy and collect taxes for school purposes and pay to boards of education and other school boards and trustees the amount they require in their annual budgets. While there is some check on capital expenditures for school purposes, there is no authority given to a municipal council to question current expenditures.

The most significant factor in the rise of municipal taxation has been the remarkable increase in education costs since 1947. (see figures on Page 9 of the 1962 Annual Report of Municipal Statistics) (Referred to, herein, as the Blue Book). In 1947 the levies by municipalities for schools was $44,385,465. while in 1962, these amounted to $313,213,157. During the same years the debenture debt for education increased from $46,412,000 to $586,761,000.

More than anything else, this has affected the tax rate. Much could be written about it and many more figures submitted to supplement it, but the fact remains that many other municipal services are suffering because of these increases for education. It is in this field that we must look to the senior levels of government for

relief. It has been estimated by the Canadian Conference on Education reliably that 9.6% of our national income will be consumed by education by the year 1970.

If we are to have high educational standards and if these are considered desirable for the growth and progress of a modern society and for competition with other countries, it follows that a much larger share of the funds required must come from tax fields presently occupied by the senior levels of government.

It is not suggested that the municipalities should invade these tax fields. This would cause duplication and perpetuate the inequalities of revenue between communities. The Province and the Federal Government must pay a much greater share derived from their "ability to pay" tax revenue. In this way educational opportunities would be equalized. This principle has been recognized by most Western European nations for many years. Real estate taxes are used to a very minor extent, if at all, to finance education.

This Association, of course, recognizes that there is a strong argument in favour of some degree of local autonomy in regard to education. There is merit in the continuance of community participation and direction. Complete centralization at the Provincial level is therefore not advocated. In annual session, our association passed a resolution asking the Provincial Government to establish grant schedules which would ensure that the major portion of the funds for elementary and secondary education would come from the higher levels of government. It is respectfully submitted that, on the average, from 75 to 90% of the costs of elementary and secondary school education should be provided from other sources.

(B) WELFARE

The General Welfare Assistance Act requires a municipality to provide assistance for persons who reside in the municipality and who are eligible for such assistance. For a person who is eligible for assistance, under the terms of regulations made by the Province and the Federal Government, 80% of the assistance allowed is paid by the senior governments and 20% by the municipality. However, there are many persons, particularly in the cities who require assistance but who are not eligible for such assistance under the regulations for various reasons. The municipalities must provide welfare for all of these and the Province expects them to do this although the Province could afford such assistance with much less trouble than could the municipalities.

In addition to direct relief, welfare service include child welfare, homes and care for the aged, health measures, hospitalization of indigents, burial of indigents and many other welfare services. The cost to the municipal taxpayer in 1962 for Health and Welfare services, amounted to $31,024,951, while the grants from the Province for Health and Welfare services in the same year amounted to $31,270,000.
(See Page XXV of the 1962 Blue Book)

As an example, the cost to municipalities in 1962 for Welfare Administration was $2,615,934, and no part of this is shared. Our Association asks your Committee to recommend that the senior levels of government pay at least 80% of the costs of

Welfare administration. It is because of all the residual responsibilities particularly in welfare matters which are left to the municipalities to provide that the present taxation system is inequitable.

In our opinion, no part of welfare services should be provided from the taxation of real estate. It should be financed from taxes, based on ability to pay such as personal income taxes, corporation taxes and estate taxes.

(C) HOSPITALS CONSTRUCTION

The demand for hospital accommodation has been created by the Ontario Provincial Government. We are all in favour but the Province should only cause the demand for more hospital accommodation if it is prepared to pay. Why does it and the Ontario Hospital Services Commission still expect municipalities to participate?

In 1947, the cost per hospital bed was $10-12,000, with the provincial grant of $1,000 per bed. In 1961, the cost per bed ranged from $15,000 to $18,000, representing an increase of $5,000 to $6,000, while the provincial grant reached $2,000 and in some cases $5,500. The Federal government grant is $2,000 and in some cases $3,000 per bed.

The practice of wealthy individuals making large donations or bequests is disappearing.

The inauguration of the Ontario Hospital Services Plan has brought heavy pressure for construction of many more hospitals and additions to hospitals. This Association supports this Plan, but it has caused municipalities to pay vast additional sums of money toward hospital construction. From the report of the Ontario Hospital Services Commission and the budget statement of the Provincial Treasurer, it is apparent that the rate of hospital construction has doubled and tripled since the hospital plan became operative.

The Association feels that the Province has recognized a responsibility in the field of Public Health by creating the Ontario Hospital Services Commission. It feels now that the Government should take the next logical step and assume the portion of the estimated $15,000 to $18,000 per bed construction charge that it calculates is necessary to relieve the municipalities of any share of capital construction costs.

This Association submits that hospital buildings are an integral and essential part of hospital care and thus annual payments made to finance construction could well be included when computing the per diem rates. Whether it is done by this or some other method is not of great concern to us, as long as the funds do not need to be included in municipal budgets.

Charts are presented with this brief showing hospital accommodation in Ontario, and in certain parts of the province where essential hospital accommodation is lacking. While bed to population ratio meets minimum requirements in the province as a whole, some areas lack proper accommodation. We contend that this further illustrates the inadequacy of the present method of financing hospital construction.

A resolution passed at our last conference reads:

"Whereas, many hospitals are incurring deficits because the per diem rate is insufficient to meet all costs, including interest on debt.

Therefore, be it resolved that the Province be asked to

provide that the daily rate paid to hospitals, by the Ontario Hospital Services Commission, be adjusted to cover all operating costs, including interest on debt."

The figures on the following pages were supplied by the Ontario Hospital Services Commission.

HOSPITAL BED SITUATION, PROVINCE OF ONTARIO

YEAR	BED NEEDS*	BEDS AVAILABLE**	BED SURPLUS(+) OR DEFICIT (-)
	1. ACTIVE TREATMENT BED SITUATION(@ 5 beds/1,000)		
1962	31,710	32,993	+1,283
1963	32,240	34,575	+2,335
1964	32,795	36,314	+3,519
1965	33,375	37,521	+4,146
	2. CHRONIC TREATMENT BED SITUATION(@ 1 bed/1000)		
1962	6,342	7,349	+1,007
1963	6,448	7,504	+1,056
1964	6,559	7,481	+ 922
1965	6,675	7,489	+ 814
	3. CONVALESCENT TREATMENT BED SITUATION(@ .25 beds / 1,000)		
1962	1,586	755	-831
1963	1,612	1,159	-453
1964	1,640	1,228	-412
1965	1,669	1,228	-441
	4. TOTAL BED SITUATION		
1962	39,638	41,097	+1,459
1963	40,300	43,238	+2,938
1964	40,994	45,023	+4,029
1965	41,719	46,238	+4,519

5. POPULATION

1962	6,342,000
1963	6,448,000
1964	6,559,000
1965	6,675,000

* Bed need figures for province do not take into consideration:
(a) inequitable distribution of hospital beds in certain areas in Ontario.
(b) hospital beds which should be replaced.
(c) lack of proper utilization of hospital beds

** Psychiatric and D.V.A. beds are included, and not all D.V.A. beds are open to the general public.
The number of beds available reflects the policy of permitting expansion to meet 1968 needs; many of these beds which will not be needed until 1968 will be opened sooner.

Research and Statistics - October 9, 1963

SCHEDULE OF GRANTS FOR HOSPITAL CONSTRUCTION

Grants for new construction are payable at the following rates, for projects commended after August 14,1963. For projects under construction at August 14,1963, a proportion of the grant is payable.

TYPE OF ACCOMMODATION	PROVINCIAL	FEDERAL
Active treatment beds	$3,200 per bed	$2,000 per bed
Chronic beds	3,000 " "	2,000 " "
Convalescent beds	3,000 " "	2,000 " "
Nurses' beds	2,000 " "	750 " "
Interns' beds	2,000 " "	750 " "
Nursery bassinets	1,066.66 per Bass.	666.66 per bass.

AUXILIARY SERVICES

(a) Dispensary, physiotherapy, x-ray, laboratory occupational therapy, autopsy, emergency department, out-patient department, community health services, hospital training facilities.	10.66 per sq.ft. of floor area	6.66 per sq. ft. of = floor area
(b) Dietary department, operating suite, delivery suite, central supply and treatment and examination rooms and laundry service.	10.66 per per sq.ft. of floor area	Nil

The above provincial grants will be paid on all new beds, provided, however, that the grant is not more than 50 percent of the cost of construction. Federal grants are limited to 33-1/3 percent of the cost of construction.

TYPE OF ACCOMMODATION	PROVINCIAL	FEDERAL
Psychiatric beds	$8,500 per bed	$2,000 per bed
Detention beds	8,500 " "	2,000 " "

If the cost of providing beds in the above two classifications should be less than $10,500., the amount paid in provincial grant is limited to the difference between the grant of $2,000 paid by the Government of Canada and the Actual cost.

Provincial grants, on the average project, will meet one-third of the cost of the building. We reach this calculation as follows:

Estimated cost of building, building service equipment and architect's fees(per bed)	$15,300
Grant on active treatment beds	$ 3,200
Grants for auxiliary services (paid on square foot basis) estimated value per bed	2,000
Approximate Provincial grant per bed in a new hospital project	$5,200

Hospitals are allowed depreciation on furnishings and medical-technical equipment as an annual operating cost under the Hospital Insurance Plan.

ACTIVE TREATMENT HOSPITAL BED SITUATION
METROPOLITAN TORONTO

YEAR	BED NEED	BEDS AVAILABLE	BED DEFICIT
1963	10,788	8,428*	2,360
1970	12,358	11,187**	1,171

SOURCE: Part Five of a Study by the Committee for Survey of Hospital Needs in Metropolitan Toronto, May 1963, ACTIVE TREATMENT HOSPITALS IN METROPOLITAN TORONTO.

* Beds set up, not rated, including 887 beds in Sunnybrook Hospital, but excluding beds in psychiatric units.

** 10,487 beds existing and in current plans, plus 700 in anticipated new hospitals. Included are 987 beds in Sunnybrook Hospital, but psychiatric units are excluded.

(D) HOUSING

In the matter of Public Housing, the residual cost falls on the municipality. Of the three partners, the Federal Government will usually recover the money it puts into a housing project, the Province's share is limited while the municipality assumes all the risks and bears the burdens of increased costs.

It is our considered opinion that the municipal taxpayer cannot afford projects for public housing. When any municipal council studies a housing project, either old or new, it is shocked by the share that the municipality is required to pay. The municipalities must provide all expense not assumed by higher governments, and, in addition, must provide for administration and accept reduced taxes.

(E) ADMINISTRATION OF JUSTICE

Municipalities are required by statute to provide the jails and lock-ups, to pay the salaries of the jail guards, to pay for court houses for the county and supreme courts, to pay coroners, pathologists, post mortem and inquest fees, to pay for witnesses and jurors, to provide accommodation for Division Courts, Magistrates Courts, Federal Admiralty courts and Tax Appeal Tribunals, to pay magistrates and their staffs, to provide accommodation for a legal law library for lawyers, to provide for transportation of prisoners, the administration of and accommodation for juvenile and family courts and other expenses related to the administration of Justice. To all of these, this Association strongly objects. There are a few by-law enforcement cases that come before the Magistrates' Courts which could be said to be the responsibility of municipalities but otherwise they have no responsibility except to pay. Magistrates, judges and coroners are not employed or appointed by municipalities.

The revenue derived from fines and forfeitures by municipalities is minute compared to the expense involved. As the municipalities pay the police who enforce the laws of Canada and of the Province they may still have a claim to a share in the revenue derived. Our Association in annual general meeting has resolved that the Province be urged again to assume the entire cost of the Administration of Justice including the construction and maintenance of Court Houses and Jails and the administration of juvenile and family courts.

THE precise figures to show the effect of the change in the general tax structure referred to HEREIN ARE NOT AVAILABLE, but the following table has been prepared from figures contained in the "Blue Book". It should be pointed out that the figures for non-basic municipal services are those listed separately; Viz: Conservation of health, payments for maintenance of indigents in public hospitals, payments towards deficits in hospitalS, social welfare, including direct reLief, children's aid societies, homes for the aged and for education. There are no figures available to us regarding public housing and administration of justice expenses.

YEAR	TOTAL EXPENDITURES BY MUNICIPALITIES	EXPENDITURES FOR BASIC SERVICES	EXPENDITURES FOR NON*BASIC SERVICES
1949	$229,418,077	144,126,901	85,291,176
1954	416,120,926	250,135,719	165,985,207
1956	522,197,041	315,019,889	207,177,152
1961	886,129,740	529,908,356	356,221,384
1962	961,569,979	579,735,966	381,834,013

5. ASSESSMENTS

Another fault in the present system can be found in the variety of methods followed in the various municipalities for preparing assessments. It is extremely difficult to have a universal assessment based on actual value of each property and many inequities are bound to occur.

One of the principle submissions of this Association is that despite subsidies, increase in assessments and population, and the change in the consumer price index, the taxes on the homeowner continue to increase. We urge that this situation be remedied. The following table shows the increase in population assessment and gross national product from 1943 to 1963.

	POPULATION		TAXABLE ASSESSMENT		GROSS NATIONAL PRODUCT	
YEAR	NUMBER	INCREASE %	AMOUNT	INCREASE %	AMOUNT	INCREASE %
1943	3,580,000	100	3,062,228,000	100	11,088,000	100
1948	3,942,000	110.11	3,434,843,000	112.17	15,120,000	136.36
1953	4,648,000	129.83	5,043,591,000	164.70	25,020,000	225.65
1959	5,682,000	158.71	8,847,190,000	288.91	34,915,000	314.89
1960	5,809,000	162.26	9,413,014,000	307.39	36,254,000	326.97
1961	5,928,000	165.58	9,861,915,000	322.02	37,421,000	337.49
1962	6,047,000	168.91	10,750,744,000	351.07	40,401,000	364.37

Taxable assessment per capita has increased from $855 in 1943 to $1,778 in 1962.

The following tables taken from the Blue Book points out the increase in municipal taxation and debenture debt.

YEAR	MUNICIPAL TAXATION	TAXATION PER CAPITA	CONSUMER PRICE INDEX	GROSS DEBENTURE DEBT
1932	126,835,000	39.15	61.7	504,756,000
1939	112,914,000	32.79	63.2	388,249,000
1949	169,832,000	41.60	100.0	278,166,000
1956	382,262,000	74.50	118.1	881,864,000
1960	586,722,000	101.00	128.0	1,461,830,000
1961	640,792,000	108.09	129.2	1,577,991,000
1962	689,860,000	114.08	130.7	1,700,228,000

The only offsetting feature to the great increase in municipal taxes and debenture debt is a substantial rise in the amount of assessment on which taxes are levied. The above tables include a comparison of this increase with that of the Gross NationalProduct. Even this table shows that the assessment has risen slightly more slowly than the Gross National Product which has a direct effect upon most Provincial and Federal taxes. However, the large increase shown in assessment may be completely fictitious. Much of it is due only to reassessment policies of many municipalities which often doubled and tripled their assessment total without any real increase in the value of the real estate assessed. It would be difficult to estimate what the true increase has been but it would likely be less than half of that shown One other point should be mentioned in this comparison--the rise in production in Ontario has been much greater than in the rest of Canada and thus the figures for the Gross National Product in Ontario would be much higher than that shownfor Canada as a whole. It could therefore safely be estimated that the real estate tax base has advanced substantially less than half as fast as the bases

for other taxes, such as income taxes. The effect of this on municipal government is obvious.

The municipal councils have had to provide for budgets that were constantly increasing, principally on account of the non-basic services they were required to provide. As the amount of their expenditures increased, they were constantly compelled to impose ever increasing tax rates on the assessments, because they had scarcely any other source of revenue. Likewise, the expenditures for education double and tripled, and councils by statute were required to collect sufficient to meet the budgets of school boards, which represented an ever increasing proportion of the tax dollar.

There is a poll tax collected by a few municipalities. This is levied pursuant to The Statute Labour Act. This act is very much out of date, and has been found to be completely useless by the great majority of municipalities. It provides for so many exemptions and for such a small tax on a very few people, that the total collected would usually be exceeded by the cost of collecting it. It was also found to be most discriminatory because such a small class of persons were affected by it.

As Mayors and Reeves of municipalities in Ontario, it is not our purpose to recommend other kinds of taxes to assist municipal revenue. In fact, we have no authority from the members of our Association to do this.

In general, our Association does not question the fairness of the method used to calculate educational grants, which are based on formula included in Regulations passed under the Department of Education Act, nor does the Association haven any objection to the fairness of calculating the grants to municipalities based on population as provided in the Municipal Unconditional Grants Act.

The claim of this Association is that the Provincial share must be increased to provide equitable relief to the municipal taxpayer and that the municipalities should be relieved from collecting taxes for those services described as non-basic.

Before leaving the subject of assessment, there are many other items which create inequalities in matters relating to assessments. Some of these should be referred to specifically.

(1) Assessments are intended to be the actual value of the land occupied, and buildings are intended to be assessed at the amount they add to the value of the land on which they stand. To eliminate the great variation in which these provisions of the Assessment Act are carried out in fact, this Association is in favour of a more suitable formula being fixed which all municipal assessors and courts would be required to follow. A compulsory assessment manual is advocated. It is argued that this is difficult to inaugurate because of the problem of training assessors to follow a universal formula. But they are not following the present statutory provisions and some may not be as experienced as others at present. Thus a new basis for assessment, which assessors could be compelled to follow, should be of great assistance to them.

These variations in assessment are important, because of the method by which county and Metropolitan rates are imposed, and because the distribution of some of the Provincial grants are based on assessment figures.

(2) Business assessment is another example of inequalities and discrimination. The variations that now exist in arriving at business assessments, which are fixed at percentage of the value of the land occupied, should be carefully studied and modernized. The percentages vary from 10% to 150% of the assessed value of the land occupied. Business assessments were imposed when personal property taxes were abolished in 1903, and were intended to be a substitute for the tax against personal property. These assessments should be revised having regard more for the ability of the taxpayer to earn and pay the tax, than on the amount of personal property each business requires in order to carry on its operation.

(3) By Section 131 of the Assessment Act, Courts of Revision are authorized to allow cancellation, reduction or refund of taxes after they are levied in respect of a building or part of a building that was vacant for three months or more during the tax year. It is impossible for a municipality to estimate what these vacancy allowances may be at the time it prepares its estimates for the year. The taxes of other ratepayers must be increased to pay the vacancy allowances to a small proportion of the taxpayers. This Association favours the repeal of the statutory provisions allowing reduction of taxes for vacancies.

(4) This Association has no objection to allowing municipal taxpayers to pay their taxes in six or more installments, but recommends heavier penalties against those who do not pay on time, and better inducements to encourage those who pay taxes in advance or in one annual amount.

There is, of course, provision in Section 131 mentioned above, for allowances and reductions on account of sickness or extreme poverty. Our group expresses no objection to this, but believes it is extremely difficult to administer. Very few applications have been granted, because of the investigation of the applicants personal finances, and because there are no rules to guide the assessment appeal courts in granting or refusing applications.

(6.) ROADS

The capital construction and maintenance of roads and streets is still an ever increasing problem both in the urban and rural municipalities. Thus while municipal roads have been accepted in the past as a basic municipal service, many are rapidly losing their local character.

In the road needs study made in 1958 by the Department of Highways for a 20 year period, it showed that by 1977 Ontario can expect 2 1/2 times the motor travel of 1957. This view is a conservative one because it is estimated there will be over 3.0 million more people in the province by 1977.

In 1957 one in every three persons owned a car or truck, and it is predicted in 20 years that one in two persons will have a vehicle of some kind.

Within the next 20 years, urban extension of King's Highways will cost $155,069,000 plus $498,975,000 for expressways and $693,390,000 for arterial highways, a total $1,347,434,000. These are mainly within our large urban centres and are beyond the ability of these municipalities to finance within the existing grant structure.

Within the same period, to keep pace, our County roads system will require an expenditure of $305,228,000 plus $53,587,000 for bridges. Total miles of county roads to be built 8,682 as well as 1,163 bridges.

The plight of our townships is the most serious of all. During the next 20 years, they face a capital expenditure of $703,000,000 for roads divided as follows:

	SUBURBAN TOWNSHIPS	RURAL TOWNSHIPS	TOTAL
ROADS:	$158,311,000	$406,324,000	$564,635,000
Bridges:	4,786,000	$133,793,000	$138,579,000
	$163,097,000	$540,117,000	$703,214,000

The size and scope of what is needed can be best emphasized by pointing out that 80 per cent of our township roads are of gravel or stone, and another 18 percent are unsurfaced. The case for the townships has become critical because of the location of many homes well removed from the densely populated areas and the motor cars bringing more and more city people to the country where the recreational areas are located. While it used to be in summer only: Winter sports have caused the townships to provide wider roads and better snow and ice removal.

More people are working in the larger municipalities and living as far away as 50 miles. Municipal roads have been accepted in the past by our Association as a basic municipal service. But this idea should be reviewed. Even the government reports and statements indicate that the greatest need for major road construction is for roads under municipal jurisdiction. The local municipalities cannot afford the tremendous expense involved in constructing expressways extension to Kings' Highways and Arterial Highway.

We feel that with the increase in revenue due to the volume of cars and trucks now on our roadways, more of the monies gathered by the Federal and Provincial governments from Motor vehicles, licenses, motor vehicle accessories, gasoline and lubricants should be given to the municipalities towards the cost of facilities for the movement of vehicles.

THE FOLLOWING ARE SOME OF THE FIGURES ON REVENUE TAKEN FROM 1963 BUDGET ADDRESS page A-18 (figures are in thousands)

	1962	PREDICTED FOR 1963
GASOLINE	$165,193	170,000
MOTOR VEHICLE AND FUEL TANK	7,603	7,900
MOTOR VEHICLE AND DRIVERS LICENSE FEES	70,305	70,905
Highways Tolls	708	708
TOTAL REVENUE	$243,809	249,513

TOTAL NUMBER OF VEHICLES REGISTERED IN 1962

2,171,000

Provincial road subsidies to municipalities and unincorporated townships in Northern Ontario total $79.2 million of which $30.1 million was for maintenance and $49.1 million for capital purposes.

7. WATER RESOURCES

The Ontario Water Resources Commission is "encouraging" the installation of complete sewage treatment plants across the province, and great strides are being made in this regard. It is to the credit of the Commission, the municipalities, and the Ontario Government, that this is being done.

However, it creates a staggering capital expenditure by municipal governments. It was estimated in 1957 that 2.4 billion dollars would be needed to meet water and sewer requirements of a capital nature in the next 20 years. In the five and half years following the year that the estimate was made, 514 millions has been committed of which 352 millions has been for sewage works. The payments have not started on these committments in many instances, and in the others, a very small percentage has been paid.

Can the municipalities be expected to raise this money from municipal taxation in addition to present levies? Where will it come from? Municipalities have recognized this as a basic service but in so doing never thought that the burden of other services would be so large.

The Commission is to be commended for its endeavours to abate water pollution, by its assistance to municipalities, however, in the work to be done the back log is great and further assistance will have to be given if pollution of our lakes and streams is to be prevented. The number of municipalities requiring sewers and sewage treatment as of September 1st, 1963 is "88".

The number of municipalities with sewers and no treatment is "39"

The number of municipalities where sewers are overloaded or inefficient is "50".

8. SUMMARY

The Association has, in this brief, attempted to establish certain principles with regard to taxation. The application of these principles is the only reasonable and responsible way to assure that municipalties can, and will, fulfill their obligations to their citizens.

By the Province's own standards, debenture debt has reached the saturation point in many municipalities and the same is true of municipal taxes.

The ownership of real estate is no longer a criterion of ability to pay. Families with equal incomes live in homes with great contrasts in assessments. A farmer's holding is usually several times greater in value than the owner of a house and lot although the farmer's income may be small compared to the resident of the house. Industries or commercial properties may be similarly assessed but have wide variation in incomes. Apart from local improvement rates, it is impossible to levy taxes on the value of real estate on a fair and equitable basis.

Immediate or rapid relief from property taxation for non-basic services will provide the main solution to our problem. Reducing the municipal financial responsibility for education as prcposed in this brief would, in itself, free most of the funds necessary for all the many municipal needs.

We urge your Committee on Taxation to accept the logic of our arguments and recommend the appropriate tax revisions so that the municipalities can take their rightful place as a powerful force in improving conditions for the citizens of this great Province.

MAYOR A. CAMPBELL, PEMBROKE
PRESIDENT

MAYOR C. HEWITT, NORTH BAY
CHAIRMAN

MEMBERS OF SPECIAL COMMITTEE

Mayor F. Gordon Stronach, London; Reeve M. Swart, Thorold Township; Mayor L. Cook, Barrie; Mayor A. Cullen, Leamington; Reeve (Miss) True Davidson, East York; Mayor V. Barrie, St. Thomas; Acting Solicitor Mr. Palmer Kent Q.C.; Mrs. Marie Curtis, Secretary-Treasurer.